

MINUTES OF THE MEETING OF THE COMMISSION

March 13, 2018

The regular meeting of the Board of Commissioners of Public Utility District No. 1 of Whatcom County was called to order at 8:00 a.m. by Commissioner Mike Murphy. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioner Paul Kenner, and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Ann Grimm, Administrative Assistant; Brian Walters, Assistant General Manager; Annette Smith, Director of Finance; Jon Littlefield, Electric System Supervisor; Duane Holden; Director of Utility Operations; Alec Strand, Project Manager; Aaron Peterson, IT/SCADA Technician; Mike Macomber, IT/SCADA Technician; and Traci Irvine, Accountant I.

Public attending: Darrell Gray, NSEA
Carole Perry, Citizen
Max Perry, Citizen
Rick Maricle, Public
Dave Olson, Public
Eddy Ury, RE-Sources

◆ **Public Comment**

No comments made.

◆ **Approval of the Meeting Minutes and Claims**

The Commissioners were presented with the Minutes of the Meeting of February 27, 2018 and the following Claims of March 13, 2018. Commissioner Murphy said he would not approve the Minutes of the Meeting of February 27, 2018 because his comments about the private well owners caucus made during the discussion on the update for Senate Bill 6091 (Hirst fix) were not included in the Minutes. Jilk replied that staff would review the notes taken and suggested that approval of the Minutes be tabled until the next meeting. Claims of March 13, 2018:

VENDOR NAME	AMOUNT
3-D CORPORATION	595.66
AMAZON BUSINESS	216.98
BONNEVILLE POWER ADMINISTRATION	799,565.00
CENTRAL WELDING SUPPLY	73.45
CHMELIK SITKIN & DAVIS	3,644.00
CORNERSTONE MANAGEMENT, INC.	5,384.00
CULLIGAN NORTHWEST	121.95
DIEHL FORD	345.23
EES CONSULTING	1,105.00
FERNDALE ACE HARDWARE	159.47
FERNDALE CITY OF	202.99
FERNDALE LUBE	100.93
FRONTIER	1,381.49
HARDWARE SALES, INC	38.26
HD FOWLER CO, INC	1,324.58
HEALTH PROMOTIONS NORTHWEST	90.00
IVOXY CONSULTING LLC	2,231.85
KCDA PURCHASING COOPERATIVE	140.27
LES SCHWAB TIRE CENTER	515.03
MASSMUTUAL RETIREMENT SVCS LLC	11,683.33
MORTIMER, TOM	3,737.50
NATIONAL SAFETY, INC.	338.73
NORTHWEST MOWING & GARDENING	514.54
PACIFIC POWER BATTERIES	38.05
PACIFIC SURVEY & ENGINEERING	3,552.50
PITNEY BOWES GLOBAL FINANCIAL SERVICES	150.79
PLATT ELECTRIC SUPPLY CO	371.68
PUD #1 OF WHATCOM COUNTY	4,579.98
PUGET SOUND ENERGY, INC	8,105.16
REGENCE BLUE SHIELD	37,571.04
REISNER DISTRIBUTION, INC	1,138.36
RH2 ENGINEERING, INC	14,952.48
RICOH USA	16.22
SHRED-IT USA	29.96
SIEGMUND, PAUL M	327.00
SSC - SANITARY SERVICE COMPANY	364.05
SURETY PEST CONTROL	59.79
TEAMSTER LOCAL #231	396.00

UNITED WAY OF WHATCOM COUNTY	371.00
UTILITIES UNDERGROUND LOCATION	34.83
VERIZON WIRELESS	1,478.06
WASHINGTON DENTAL SERVICE	2,762.40
WASHINGTON TEAMSTERS WELFARE	9,747.90
WATERHOUSE ENVIRONMENTAL SERVICES	33,887.70
WHATCOM COUNTY TREASURER	695.10
WHATCOM JANITORIAL	1,250.00
ZEE MEDICAL SERVICE	1,668.76
GRAND TOTAL	\$957,059.05

ACTION: Commissioner Kenner motioned to TABLE THE APPROVAL OF THE MINUTES OF THE MEETING HELD FEBRUARY 13, 2018 UNTIL MARCH 27, 2018, AND TO APPROVE THE CLAIMS OF FEBRUARY 27, 2018. Commissioner Murphy second the motion. Motion passed unanimously.

◆ **Nooksack Salmon Enhancement Association Presentation**

Background: In 2012, the Commission approved a request for funding from The Nooksack Salmon Enhancement Association (NSEA) for 2013 projects. The funding supported the Washington Conservation Corps (WCC) Crew work on habitat restoration on various streams throughout Whatcom County and Nooksack tributaries. NSEA provided a project report to the Commission at the completion of the projects in 2013. From 2014 to 2017, the Commission has continued to provide funds to support the request from NSEA.

Project Manager Darrell Gray gave an update on 2017 accomplishments and presented a slideshow regarding several restoration projects with private landowners, Whatcom Land Trust and the City of Bellingham on a number of creeks: Deer, Dakota, California, Fishtrap, High, Innis, Squalicum and Terrell.

NSEA has hired an assistant project manager and a new AmeriCorps volunteer is in place for 2018. They plan to work on 12 restoration projects. Gray explained the process with a slideshow depicting work from start to finish included elevation drawings, excavators working to remove sediment and/or placement of streambed rock and other natural materials along the culverts and new bridges put in place for land owners. Over 2,000 feet of large woody debris for habitat restoration was completed at Terrell Creek.

Commissioner Murphy asked how it is decided on which fish passage barriers needed to be replaced. Gray explained the process began in 2003/2004 when NSEA received a grant to work with the tribes, Whatcom County and private property owners to (1) take inventory of barriers on private properties, and (2) rate the barriers (whether partial or complete barriers) and create a priority index to fix the worst ones first. This inventory was then approved by the Nooksack Tribe to replace these fish passage barriers/culverts as identified.

Carole Perry asked if the State of Washington's culvert case would inhibit NSEA's work. Gray replied that he believes these culverts identified in this case are geared towards the State Department of Transportation for state highways. NSEA works with the private land owners. Rick Maricle said work can be done to save private residences from stream erosion. Some home owners in Lynden along Fishtrap Creek have had work done to stabilize the banks at their own expense without the help of the Department of Fish and Wildlife.

For 2018, NSEA is requesting funding to provide project oversight, acquire restoration materials such as plants, vole and beaver protection, and large woody debris for salmon habitat restoration of lowland streams. The work will be performed again by the Washington Conservation Corps (WCC) Crew and managed by NSEA staff. A minimum of ten salmon habitat restoration projects will be implemented on WRIA 1 lowland streams.

Gray thanked the Commissioners for their support of these projects over the years.

Whatcom PUD has had no other requests to support habitat restoration other than NSEA's request and there is no fiscal impact to the PUD as funding has been allocated in the 2018 budget for this purpose.

ACTION: Commissioner Murphy motioned to APPROVE FUNDING IN THE AMOUNT OF \$16,000 FOR NOOKSACK SALMON ENHANCEMENT ASSOCIATION TO SUPPORT WASHINGTON CONSERVATION CORPS CREW WORK ON HABITAT RESTORATION PROJECTS FOR 2018. Commissioner Kenner second the motion. Motion passed unanimously.

◆ **Bonneville Power Administration Issues Presentation**

Background: The electrical energy industry is facing significant changes due to renewable energy production, low natural gas prices, environmental restoration costs, and climate change. Our northwest energy generation and transmission system is also facing challenges from the current federal administration in their proposal to sell Bonneville Power Administration (BPA) transmission system to the private sector. An overview of how these changes could transform not only the cost structure of our energy supply here but also the governance of it was presented by Assistant General Manager Brian Walters. Highlights included:

Snapshot of BPA

BPA was established in 1937 by an act of the U.S. Congress. It does not have the authority to own and operate power plants, but to market power produced by 31 northwest federal dams that are owned and operated by the US Army Corps of Engineers and the Bureau of Reclamation.

BPA has the authority to purchase and re-sell power from third party sources (market, public and private generating plants), and BPA purchases and markets all power produced by the Columbia Generating Station. It also has the authority to construct, own and operate transmission facilities. Currently, BPA owns and operates 15,000 miles of transmission circuits and 300+ transmission substations throughout the northwest. BPA is self-funded through revenues from power and transmission services and can borrow from the federal government up to a set limit.

Major Federal Columbia River and Other Hydroelectric Projects

Today there are 14 dams located in Washington, Idaho and Oregon. The first dam built was the Bonneville Dam in 1938 and its capacity is 1,050,000 kilowatts. BPA has repaid the original federal investment in power generation at 25 hydroelectric projects and most of the original investment in the Northwest transmission grid. BPA receives no federal appropriations and recovers its cost through wholesale electric rates. BPA is still repaying the original on six projects and two powerhouse expansions.

BPA and Whatcom PUD Relationship

Whatcom PUD is a public agency “preference customer” of BPA and BPA is required by statute to supply power to us upon request and with preference, at the lowest established rate. Currently, Whatcom PUD purchases 100 percent of its power supply from BPA through a Power Sales Agreement which expires in 2028. Walters anticipates that new agreement negotiations will begin in the 2020-22 timeframe. Whatcom PUD also has a Network Transmission Agreement with BPA and power is transmitted to PUD points of delivery via BPA transmission facilities. This agreement expires in 2038. Historically, Whatcom PUD has been totally dependent on BPA for power and transmission services.

Walters added that what impacts BPA, directly impacts Whatcom PUD. He gave the example of the current administration proposing to sell off BPA, Tennessee Valley Authority, Southwestern Power Administration and Western Area Power Administration to private industry. The proposal is not a new concept in Washington, D.C. The Reagan, Clinton and George W. Bush administrations all raised similar ideas in the past. Northwest congressional delegations objected every time. The idea is hard to conceive as it will most certainly raise power rates and will affect treaties signed between the United States and Canada where power is wheeled back and forth between the two countries.

Commissioner Kenner asked if we are purchasing Tier 1 power. Walters confirmed yes, and that the tiered rates are now being challenged. The market rate used to be higher priced than Tier 1 and it is now cheaper.

Power Market Disruptions and Challenging Cost Competitiveness

As BPA power costs and rates continue to trend upward, their power revenues face downward pressures. The biggest slice of the Power Services budget is the program to support and fund fish and wildlife habitat restoration. Other factors include low natural gas prices continue to set power market prices, Columbia River Treaty (US/Canada Negotiation), Carbon Emissions Policy and loss of coal-fired base load generation. Three coal-fired plants in the northwest are scheduled to be decommissioned and/or taken off line.

Preference Customers and Direct-Service Industry Loads Decline

BPA’s preference customer and direct-service industry loads have steadily declined since 2014. They are now selling more surplus power at wholesale prices that are lower than its “Priority Firm” power rates. This has reduced total revenues and put continued upward pressure on power rates. For example, preference customer load loss from 2017 to 2018 reduced BPA’s net revenues by \$22.5 million, which equates to about a one percent rate increase. The retirement of coal plants, the rise of renewables and natural gas fired generation, and Energy Northwest’s big base load generator create so much more power available on the grid than what there used to be.

At a future Commission meeting, Walters will outline additional issues with BPA including a contract with BPA for providing services associated with the NERC defined "Transmission Operator" or "TOP" services provider function, additional power issues and the future ownership of the substation at Alcoa/Intalco and BPA transmission lines which run from Custer to Cherry Point.

The Commissioners thanked Walters for the update and information.

ACTION: No action taken or requested. For information only.


◆ **Manager's Report**

Legislative Session

The regular session ended on March 8 and Jilk has yet to receive a legislative summary from WPUDA and WWUC on what bills moved forward or didn't.

◆ **Adjourn**

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 9:14 a.m.



Jeffrey L. McClure, President



Paul D. Kenner, Secretary



Michael Murphy, Commissioner